

Pyramid schemes have existed for the last 100 years but they have grown into an entire industry (with the inclusion of about 50% of the MLM programs out there).

What is a pyramid scheme? A money making system that creates income from getting people involved in the business and not selling a real product or service. Unfortunately for MLM businesses that means many of them.

If people are sold a real product or service with the ability of making money off of reselling it as a benefit, it is a legal MLM program. If people are recruited into the business with hopes of making a lot of money off of getting other people involved, while selling a poor product, that is a pyramid scheme or illegal MLM.

Some of the really bad pyramid schemes even go one step further. They don't even have a real product or service at all. Getting people signed up is all they do. Oh, of course most of them will claim that they are not a pyramid scheme but that is, of course, not true. It's all about the product.

Product you would buy without the pay plan: MLM. Product that is of questionable value: Pyramid scheme.

With the high unemployment of the deaf community members, they are very easy targets of pyramid schemes.

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AVOIDING PYRAMID SCHEMES IN THE DEAF SOCIETY



ORANGE COUNTY DEAF ADVOCACY CENTER

Pyramids don't pay. Orange County Deaf Advocacy Center and the Federal Trade Commission caution consumers about clubs or programs that promise quick money for recruiting new members. Don't bank on the pyramid promise that someone else will pay you.

Some multilevel marketing plans are legitimate. However, others are illegal pyramid schemes. In pyramids, commissions are based on the number of distributors recruited. Most of the product sales are made to these distributors - not to consumers in general. The underlying goods and services, which vary from vitamins to car leases, serve only to make the schemes look legitimate.

Joining a pyramid is risky because the vast majority of participants lose money to pay for the rewards of a lucky few. Most people end up with nothing to show for their money except the expensive products or marketing materials they're pressured to buy.

If you're thinking about joining what appears to be a legitimate multilevel marketing plan, take time to learn about the plan.

What's the company's track record? What products does it sell? Does it sell products to the public-at-large? Does it have the evidence to back up the claims it makes about its product? Is the product competitively priced? Is it likely to appeal to a large customer base? How much is the investment to join the plan? Is there a minimum monthly sales commitment to earn a commission? Will you be required to recruit new distributors to earn your commission?

Be skeptical if a distributor tells you that for the price of a "start-up kit" of inventory and sales literature - and sometimes a commitment to sell a specific amount of the product or service each month - you'll be on the road to riches. Often consumers spend a lot of money to "build their business" by participating in training programs, buying sales leads or purchasing the products

themselves. Too often, these purchases are all they ever see for their investments.

TIPS TO AVOID **PYRAMID** **SCHEMES**

Avoid any plan that offers commissions to recruit new distributors

Beware of plans that ask you to spend money on costly inventory.

Be cautious of claims that you will make money by recruiting new members instead of on sales you make yourself.

Beware of promises about high profits or claims about "miracle" products.

Be cautious about references; they could be "shills" by the promoter.

Don't pay money or sign contracts in a high-pressure situation.

Check out all offers with your local Better Business Bureau and state Attorney General.